



STATE OF WASHINGTON

## OFFICE OF THE FORECAST COUNCIL

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OLYMPIA, June 19, 2003 --- Newly available employment and wage data indicate that the state's economy is weaker than assumed in March and the latest national forecast suggests that the recovery from the recession will be even slower than previously assumed. This year's aerospace job cuts have been more severe than assumed in March and revenue collections have shown virtually no improvement over the already depressed year-ago level. As a result, the June revenue forecast is \$157.4 million lower, before legislation, than projected in March.

The June 2003 General Fund-State revenue forecast for the 2001-03 biennium is \$21,162.0 million, which is just \$1.0 million less than expected in March. The forecast for the 2003-05 biennium of \$22,741.0 million is \$289.5 million (1.3 percent) higher than in March but this includes \$445.9 million in recently enacted legislation. Without the legislated revenue enhancements the forecast for 2003-05 would have been \$156.4 million (0.7 percent) lower than expected in March. The net change for the two biennia combined is a \$288.5 million increase including the \$445.9 million in new legislation and a \$157.4 million reduction excluding the new legislation.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2001-03 and 2003-05 biennia. The forecast based on more optimistic economic assumptions netted \$53 million (0.3 percent) more revenue than did the baseline forecast in the current biennium while the pessimistic scenario was \$57 million (0.3 percent) lower. The optimistic forecast for the upcoming biennium was \$863 million (3.8 percent) higher than the baseline forecast while the pessimistic alternative was \$1,100 million (4.8 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$4 million (0.0 percent) more revenue than did the baseline forecast in the 2001-03 biennium and \$77 million (0.3 percent) more in the 2003-05 biennium.

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